



TO: Elizabeth Pauli, City Manager
FROM: Debbie Bingham, Project Manager, Community and Economic Development
Jeff Robinson, Director, Community and Economic Development
COPY: City Council and City Clerk
SUBJECT: Request for resolution– October 22, 2019
DATE: October 4, 2019

SUMMARY:

Authorizing the appropriate City officials to execute an 8 Year Multifamily Housing Property Tax Exemption Agreement with Rush Development, Inc. for development of 95 multifamily market-rate rental units at 2709 North Adams Street in the Proctor Mixed Use Center.

STRATEGIC POLICY PRIORITY:

This project will foster neighborhood, community, and economic development vitality and sustainability by providing 95 market rate rental housing units within a designated mixed use center.

BACKGROUND:

Rush Development, Inc. is proposing to develop 95 new market-rate rental units in the Proctor Mixed Use Center as described in Exhibit “A” to the Resolution. The housing will consist of 95 units as described in the chart below.

Number of units	Type of Unit	Average Size	Expected Rental Rate
<i>Market Rate</i>			
78	Studio	210-450 SQFT	\$1225-1500
14	One bedroom, one bath	451-749 SQFT	\$1501-1860
3	Two bedroom, one bath	750 -800 SQFT	\$1861-2165

This project will also contain 1000 SQFT of commercial space, and 50 residential parking stalls. The developers are aware of the City’s SBE and LEAP programs and plan to use local labor. The project will be forwarded to the Pierce County Treasurer Assessor for the 8 year multi-family housing property tax exemption after the project complies with all City of Tacoma building codes, processes and procedures and receives a valid certificate of occupancy from the City. The Community and Economic Development Department has determined that the proposed project has all the necessary qualifications for the 8 year multi-family housing property tax exemption. Rush Development, Inc. will enter into an agreement prepared by the City to develop the site as described in the plans on file with the City.

ISSUE:

This action would approve the tax exemption through the attached proposed agreement.

ALTERNATIVES:

If the resolution is not adopted, the tax exemption will not be granted and the developer has stated that the exemption is necessary to make the project feasible.

RECOMMENDATION:

Staff has reviewed the application and has determined that the proposed project qualifies for the 8 Year Multifamily Housing Property Tax Exemption. Staff recommends the Council approve the resolution.

**FISCAL IMPACT:**

The value of the land and retail portions would continue to be taxed throughout the exemption period. The additional greater economic impact to Tacoma from adding to the population base is estimated through sales tax generation. The projected assessed value of the completed project, the projected property taxes to be exempt and the projected increase in sales tax are listed in the table below:

Current Land Value and Retail Property Tax Projections	
Current Assessed Value	\$ 552,800
Current Total Annual Property Tax	\$ 7,200
Projected Total Property Tax Payments on Current Property Value Over 8 Years	\$ 57,300
- City	\$ 13,200
Projected Completed Assessed Value and Property Tax Exemption	
*Projected Completed Assessed Value	\$ 14,000,000
Projected Total Taxes to be Exempt over 8 years	\$ 1,452,000
- City	\$ 334,000
Potential Sales Tax Impacts	
**Projected Total Sales Tax Generated over 8 years	\$ 6,116,000
- City	\$ 662,500
***Projected Sales Tax generated from construction	\$ 1,680,000
- City	\$ 182,000

*The projected *Completed Assessed Value* is based on estimated construction costs.

**The projected *Total Sales Tax Generated* is estimated by the increase in households the project creates using the average sales tax revenue generated per household in Tacoma.

***The projected Sales Tax generated from construction is estimated by multiplying the construction costs by the sales tax rate